

Thank you Chairman Accavitti, Vice chairman Nofs, and committee members. I am Jim Beaubien, President of Local 17 IBEW, board member of Protect Michigan and the Mayor of Gibraltar. The Energy Bills under consideration that are all tied together are a compromise solution that we will support and that position does not come easy as we support going back to traditional regulation. These Bills are a giant leap in the right direction. This is why we take that stance.

Protect Michigan's Top 10 Reasons to Go Back to Regulation

1. Regulation regulates profit and is based on cost of service.
2. Markets, on the other hand, set the value of a product and are not based on cost of service but rather on what the market will bear. The market will find out how much you are willing to pay for electricity.
3. Economic theory. We have all heard the various economic theories, "The market has not been given enough time to mature;" "Competition will drive down prices;" "market responses;" and of course the cure all, "market incentives" that apparently can do anything and everything. Protect Michigan believes that in the market for electricity there is one economic theory that trumps them all – it is supply versus demand, and when it comes to electricity, supply must meet demand at every instant or the grid collapses. It is not just a theory; it is physics, we are all connected to the grid. On the demand side, of the economic theory, there are a number of factors that make customers captive to this theory:

a) Demand is always rising.

From 2002 through 2006 peak load went up an average of 2.8% a year at Consumers Energy, during that same time period peak load went up an average of 2.1% a year at Detroit Edison.

Total electricity used in the entire state from 2001 through 2005 went up an average of 1.96% a year.

- b) You can not replace electricity with another product.
 - c) You can not store electricity on a large scale economically.
 - d) Electricity must be produced and consumed in the same instant.
 - e) Modern society must have electricity.
4. Supply-side economic theory. On the supply-side it is simple, constrain supply, command a premium price. Look what happened in Michigan. We have over 4,000 megawatts of new generation built, all of it gas-fired and too expensive to run. This is what you get without regulation. Companies came to Michigan looking for the fast buck, looking to take advantage of our Customer Choice program.

If our supply becomes constrained we either pay the price commanded by these unregulated plants, buy from MISO, or build new regulated, base-load plants. It is in the best interest of those that own these gas-fired plants not to build new base-load coal or nuclear generation so that at some point in the future we have to rely on their high priced, gas-fired generation.

5. Risk verses reward is also an economic theory that has been trotted out as justification for electric choice. It goes something like this. Customers should be free to cut their own deal with suppliers. The risk that the power will be delivered goes up or down depending on the price paid – the more you pay, the less you risk and vice versa. This is a blatant disregard for physics. A single customer or a group of customers on a grid can not take a risk without exposing the entire grid to risk if the power they contracted for is not delivered. Load does not recognize contracts. Supply must meet demand at every instant or the grid collapses. And we are all connected to the grid. The utilities and the customers of the utilities, pay for the risk, not the alternate electric suppliers.
6. The Customer Choice program did not bring Michigan rates more in line with the regional average. Protect Michigan believes that it was regulation that held down the prices in this state while surrounding states' electricity prices climbed at a faster rate than Michigan. The surrounding states that deregulated and allowed retail suppliers to greatly increase costs to customers contributed to this. Let's face it, without regulation the customers in this state would be paying MISO rates which are significantly higher than the regional average.
7. Choice for choice sake. Customers want choice when buying their electricity according to a survey by Marketing Resource group. The question is, are customers better off with the choice option?

Protect Michigan believes the answer is no, because it is not that simple. The real question for the survey is would customers rather get their electricity from a regulated utility, under the scrutiny of the MPSC, at cost based rates or risk going into an open market where the market sets the price they pay, but they get to choose their supplier? In fact, that's what we have today and that's why the customers are flocking back to the regulated utilities and the choice program is buckling under its own weight.

8. Artificial incentives are what drove customers to switch electricity providers. Some of our utilities were actually paying customers to leave. The MPSC ended the artificial incentive program and customers have realized that it is in their best interest to return to regulated rates.
9. Residential customers have paid for the choice program and received absolutely no benefit from it. They did receive a 5-percent rate cut due to securitization. This was an artificial rate cut and was not derived from the fact that they were allowed to choose their electric providers.

The fact is that all customers paid for the choice program in which only a small fraction of customers benefited.

10. Over 4,000 megawatts of new gas-fired generation has been built in Michigan since Choice was adopted, we should remember that most of that generation went bankrupt because it became too expensive to run. This is one of the most telling reasons why investors won't finance another new power plant in Michigan until PA 141 is fixed.

Now I would like to talk just a little bit about the MPSC and what their oversight means to the electric customers of this state. 90% of electric customers in this state are served by our 2 largest utilities. Do you realize that since 1984 the MPSC has saved these customers over 1.6 Billion dollars in rate increases that were requested by the utilities and denied by the MPSC. The MPSC insures that rates charged are over all based on the cost of service. Protect Michigan believes that any deviation from this standard will cost customers more. Can you imagine what we would be paying for electricity if since 1984 we were paying market rates based on what the market would bear with no oversight by the MPSC.

Others believe in cost based rates also, AARP for example in Texas say they want to establish a standard cost based rate that would create a standard rate based on the cost of service. In 2002 AARP came out against customer choice in New Mexico. In 2000 they came out against electric deregulation in Iowa. My wife and parents belong to AARP Michigan and they are residential rate payers. Residential customers have funded over 100 million to make up the shortfall in revenue due to other classes of customers choosing alternative electric suppliers, with no choice options for themselves.

Wind turbines are also a subject we are very familiar with, our Local 17 IBEW members just completed the first major wind turbine project in Pidgeon Michigan. We built 32 turbines, the collector and the substation. That project went so good that they are now finishing up a project in New York and are heading to Wisconsin. These are all local Michigan workers. We support wind power.

So to recap, we have a captive market, us, the customers all connected at the hip through the grid. Our demand for electricity is increasing; you can not replace electricity with another product, you can not store electricity on a large scale economically, electricity must be produced and consumed in the same instant, Modern society must have electricity. If supply becomes constrained we will pay the price, any risk on the grid is shared by all. Take a look at the states that have tried to go to markets, Illinois, Maryland, Texas, Connecticut and let's not forget California. If anyone still believes that a free for all market will result in lower prices under these conditions maybe they should get a one time choice, just as long as the rest of us do not have to pay for it. Thank You

Summary of Major Electric Rate Cases

The Detroit Edison Company (millions)

<u>Year</u>	<u>Case No.</u>	<u>Rate Request</u>	<u>Rate Approved</u>	<u>MPSC Adjustments</u>	
2006	U-14838	\$ 45.3	\$ (78.8)	\$ 124.1	
2004	U-13808	582.8	335.8	247.0	
1994	U-10102	93.0	(78.0)	171.0	
1988	U-8789	298.0	267.3	30.7	
1984	U-7660	969.0	686.5	282.5	855.3 Million
			1.1328 Billion	855.3 million	

Consumers Power Company (millions)

<u>Year</u>	<u>Case No.</u>	<u>Rate Request</u>	<u>Rate Approved</u>	<u>MPSC Adjustments</u>	
2005	U-14347	\$ 319.7	\$ 86.1	\$ 233.6	
1996	U-10685	104.4	46.5	57.9	
1994	U-10335	127.2	57.6	69.6	
1991	U-9346	228.7	-140.5	369.2	
1984	U-7830	212.3	231	(18.7)	for six years
1984	U-7830	0	-78.7	78.7	termination of financial stabili;
			202 million	790.3 million	

790.3 Million

Total disallowed by the MPSC \$ 1.645 Billion

New York Times

November 6, 2007

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Competitively Priced Electricity Costs More, Studies Show

By DAVID CAY JOHNSTON

Retail electricity prices have risen much more in states that adopted competitive pricing than in those that have retained traditional rates set by the government, new studies based on years of price reports show.

The findings, by advocates for both sides in the market-versus-regulation debate, raise questions about the reasons market competition produced higher retail prices than government regulation.

The difference in prices charged to industrial companies in market states compared with those in regulated ones nearly tripled from 1999 to last July, according to the analysis of Energy Department data by Marilyn Showalter, who runs Power in the Public Interest, a group that favors traditional rate regulation.

The price spread grew from 1.09 cents per kilowatt-hour to 3.09 cents, her analysis showed. It also showed that in 2006 alone industrial customers paid \$7.2 billion more for electricity in market states than if they had paid the average prices in regulated states.

Mrs. Showalter compared prices in 13 states and Washington, all of which have adopted market pricing for industrial users, with the rest of the nation. The 13 states are California, Connecticut, Delaware, Maine, Maryland, Massachusetts, Michigan, Montana, New Hampshire, New Jersey, New York, Rhode Island and Texas. Montana is returning to regulated pricing.

"Since 1999, prices for industrial customers in deregulated states have risen from 18 percent above the national average to 37 percent above," said Mrs. Showalter, an energy lawyer and former Washington State utility regulator.

In regulated states, prices fell from 7 percent below the national average to 12 percent below, she calculated.

That means the difference between market and regulated states nearly doubled, from 25 percentage points to 49 percentage points.

New York Times

November 6, 2007

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A separate study for the Electric Power Supply Association, which represents independent power generators and favors market pricing, reported last week that retail prices for all customers “rose only slightly higher” than prices in regulated states. A footnote showed that the prices rose 15 percent more in market states than in regulated states.

Both studies relied on the same Energy Information Administration data, but the supply association counted five more states — Arizona, Illinois, Ohio, Pennsylvania and Virginia as market states.

In those five states, the government imposed rate cuts, freezes or caps, some of which are still in effect for residential and some other customers. John Shelk, president of the supply association, said that but for efforts to create competitive markets, government would not have ordered lower prices during a transition from regulation to market pricing. Therefore, he reasoned, government-mandated savings should be included in calculating the benefits of market pricing.

Susan F. Tierney of the Analysis Group, a former assistant secretary for policy at the Energy Department during the Clinton administration who conducted the study, said that improvements were needed in both the market and regulated pricing systems.

A larger concern, Dr. Tierney said, is how to deal with rising electricity prices driven by the demands of global economic and technological growth, rising fuel prices and the costs of countering atmospheric damage from burning fossil fuels.

“Focusing more on those improvements seems more constructive than fighting about whether competition or traditional regulation is the best path,” she added.

The data are the latest to show that competition, which was promoted by big industrial companies and Enron as the best way to create competitive incentives to reduce prices, has instead resulted in higher and faster rising prices. Some big industrial customers have turned against the changes they once championed, saying that if markets produced lower prices they would favor them but that electricity auctions have not worked.

In market states, electricity customers of all kinds, from homeowners to electricity-hungry aluminum plants, pay \$48 billion more each year for power than they would have paid in states with the traditional system of government boards setting electric rates, according to Mrs. Showalter’s analysis of Energy Department data in an earlier report in September.

New York Times

November 6, 2007

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Under the rules of these markets, every electric power generator whose bid is accepted gets the highest price paid to supply power, called a clearance price or single-price market. In most auctions, each supplier gets the price at which they offered to sell, known as an as-bid market.

One result of clearance pricing is that nuclear power plants, which must run at a steady rate even when demand for power is minimal, have at times collected \$990 per kilowatt-hour for power they had offered to give away during low-demand hours.

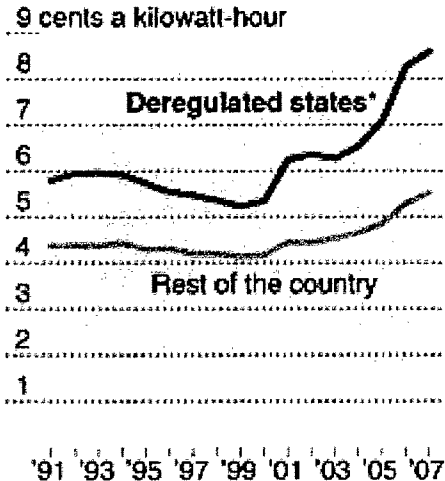
Gordon van Welie, president of the New England Independent System Operator, which runs the electricity market in that region, said that clearance pricing avoids the costs and risks of taking nuclear plants offline that would occur in an as-bid market if the price they sought was too high to attract any buyers.

Mr. Van Welie said he anticipated steady improvements in the efficiency of the auction markets over the next few years as rules are refined, and pointed to a report showing that wholesale prices in all markets declined last year compared with 2005, in contrast to the rise in retail paid by those who use the power.

Unregulated Prices

Electricity prices have risen more in states that have deregulated their markets compared with those that still have government-set rates.

Average retail electricity prices for industrial customers



*13 states (Calif., Conn., Del., Mass., Md., Me., Mich., Mont., N.H., N.J., N.Y., R.I. and Tex.) and the District of Columbia

Source: *Energy Information Administration, via Power in the Public Interest*

EEI Vice President of Policy and Public Affairs Bill Brier said U.S. demand for power was expected to grow at least 40 percent by 2030. Wrote the Tribune: "Residential customers are increasing their electricity use, Brier said. He also said electricity is the engine that drives economic growth in this country. Different regions of the U.S. rely on different mixes of fuel to produce electricity, Brier said, and mandating particular mixes of renewable energy should be left to states rather than the federal government." Source: Oct. 18 *La Crosse (Wis.) Tribune*

Announcements: AARP Texas

Dec. 6, 2006

Hundreds complain about electric rates

Approximately 600 people have participated in town hall meetings on high electric rates in McAllen and Fort Worth over the past few weeks. The meetings allowed citizens to share their personal stories on how electric deregulation has made their lives much more difficult.

AARP-Texas has made addressing the high cost of electricity its No. 1 legislative priority for 2007, in response to complaints from members received throughout the year. Citizens attending the McAllen and Fort Worth meetings also had an opportunity to sign a petition “demanding legislative and regulatory action to establish stable, reasonably priced standard rates to put an end to ‘electric shock’.”

The petition will be more amply circulated in the weeks ahead to other concerned citizens in Texas. The number of signature collected, as well as citizen input gathered at the town hall meetings, will be shared with members of the Texas Legislature. The Legislature convenes again on January 9.

Since 2002, electric utility rates have increased more than 80% in the deregulated areas of the state, making rates in Texas among the highest in the nation.

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From: AARPTX

Date: 2007-06-22T21:42:28

FOR IMMEDIATE RELEASE
June 22, 2007

Contact: Tim Morstad
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Electricity crisis: No leadership means no solutions

Governor Perry and his PUC are absent as the sweltering summer heat and out-of-control rates bear down on Texas

AUSTIN, TX – AARP-Texas today delivered a letter to all 181 members of the Texas legislature urging them to call on Governor Rick Perry to call a special session to pass meaningful electricity reform that will lower prices for Texas consumers. AARP has received no response to its May 29th letter to the Governor urging a special session.

“Governor Perry stands at a moral crossroad. Will he call the Legislature back and lead a sincere effort to rescue Texans from the crushing electric rates that deregulation has wrought? Or, will he protect the companies and big Wall Street investors who want to continue bagging outrageous profits on the baited field of Texas deregulation? It’s time for the Governor and the Legislature to side with the *people* of Texas,” said Bob Jackson, state director of AARP Texas.

“Today, despite the urging of more than 40 members of the Legislature, the Public Utility Commission (PUC), all appointees of Governor Perry, took no action on an emergency petition to protect the most vulnerable Texans from dangerous summer shut-offs. Unless Governor Perry and his appointees act soon, the die will be cast, and the summer heat and dehydration will sap the health and take the lives of older and disabled Texans who just don’t have the money to pay inflated electric rates.”

Attached is the text of the letter delivered to each member of the Texas Legislature. For more information, contact Tim Morstad at 512.480.2436, or Rosie Barrera at 832.325.2230.

June 22, 2007

Dear Representative / Senator XX:

AARP needs your help persuading Governor Perry to lead an effort to protect Texans from the excesses of electric deregulation. Soaring summer temperatures are bearing down on Texas, and the Governor has not responded to AARP's May 29 letter urging him to immediately call a special session so that this summer Texans don't have to pay with their health and their pocket books for the outrageous and predatory profits electric companies are exacting under electric deregulation.

AARP urged the Governor to lead a special session that will: provide a 20 percent rate reduction with no loopholes, make disconnection protections permanent for vulnerable customers, reform the flawed wholesale pricing system that is inflating rates across the marketplace, and prevent big monopolistic electricity companies from dominating the market.

AARP members overwhelmingly identified the high price of electricity as their No. 1 issue requiring legislative action this year. Despite many of your best efforts no rate relief was enacted. The broken deregulated market dominated by big electric companies and lacking sufficient consumer protection described by Representative King during the 80th Legislative Session is still just as broken as it was a few weeks ago.

AARP members and all Texans, suffering the greedy excesses of deregulation, need your help. Please contact Governor Perry, and urge him to call a special session so that you can finish the deregulation reform work you began earlier this year.

Respectfully,

Robert A. Jackson
State Director
AARP Texas

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AARP Texas calls for an overhaul of Texas' deregulated electricity system.

Deregulation of electric utilities has not worked for Texas consumers.

- **Deregulation has not created competition to lower electricity prices.** In fact, electricity prices are up 70-100 percent after five years of electric deregulation, regardless of whether a person has switched to another plan or provider.
- **Low income Texans have had less assistance with their skyrocketing electricity bills.** Since September 2005, the legislature has not funded the low income discount program within the System Benefit Fund. Consumers have continued to pay an average of 65 cents per month on their electricity bills to fund the System Benefit Fund, yet none of this money now assists low income individuals. From 2002-2005 more than 750,000 Texans received reduced electricity bills through this program.
- **Medically frail and other vulnerable individuals have little protection from disconnection.** The combination of exorbitant electricity bills and overly generous disconnection policies is putting the medically frail, seniors, and other vulnerable individuals at risk of heat related illness or death. For the third time in nine years, the Public Utility Commission had to take emergency action last summer to prevent electricity from being shut off for vulnerable Texans.

How the Texas Legislature can make electricity more affordable and improve protections for consumers:

- **Establish a standard cost-based rate.** Create a standard rate based on the cost of providing the service. This should be one of the rates offered by the company that provided service to everyone prior to deregulation;
- **Fully fund and protect the low income discount within the System Benefit Fund.** The legislature must fund the low-income discount program within the System Benefit Fund, and protect it from being used for other purposes by state officials; and
- **Prohibit disconnection of electric service to the most vulnerable Texans.** Improve protections to prohibit the disconnection of electric service to the most vulnerable, including those whose health and wellbeing depend on reliable electric power.

January 15, 2002

Attorney General Madrid Urges Governor Richardson

to Support Repeal of Electric Deregulation Act

(Santa Fe, NM) Attorney General Patricia Madrid today urged Governor Bill Richardson to support her efforts to repeal New Mexico's Electric Utility Restructuring Act during the upcoming legislative session. Currently, electric deregulation in New Mexico has been only delayed, not yet repealed.

"Electric deregulation is not in the best interests of New Mexico's consumers and small businesses. I have provided Governor Richardson with a well-reasoned report prepared by respected professors and utility experts at New Mexico State University that provides the evidence needed to reach the conclusion that electric deregulation should be repealed. This report reviews the status of "electric restructuring" or "retail choice" in states around the country. I requested this report in light of the problems encountered by California with electric deregulation. As part of the western utility market, I was concerned that New Mexicans would not see any cost savings from deregulation. This report provides evidence that there would be no cost savings, and, in fact, we would see an increase in costs," Attorney General Madrid said.

"New Mexico needs stable and reasonably priced electricity; that is in the best interests of both businesses and consumers. I believe that the immediate repeal of electric deregulation has widespread support. Those supporters include Public Service Company of New Mexico, the Public Regulatory Commission staff, AARP, and large industrial users," Madrid said.

The New Mexico Electric Utility Restructuring Act was enacted in April 1999. It intended initially to open the state's electric power market and allow consumers to choose their electric provider, beginning in 2001 for residential and small consumers. Retail access for other users was originally scheduled for January 2002. Between the passage of the bill and the effective dates, deregulation was implemented in California. Their significant problems caused New Mexico last year to re-evaluate the wisdom and the risks of electric deregulation and to delay implementation of electric deregulation for five years.

"New Mexico is an energy producing state, and our prices are among the lowest in the West. We need to keep our prices low and one important step in that process is to prevent the implementation of electric deregulation in New Mexico. To help utilities plan now to begin to meet New Mexico energy needs, and to ensure price stability in our state, we should repeal electric deregulation, immediately," Madrid said.

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Radio Iowa

Group lobbies against electric deregulation bill

Tuesday, March 14, 2000, 12:00 AM

By **O.Kay Henderson**

One of the state's most powerful groups is launching a campaign to defeat a bill which would deregulate Iowa's electric utility industry. The American Association of Retired Persons -- A-A-R-P -- has 356-thousand Iowa members and all of 'em are being urged to call their legislator to ask for a "no" vote on the bill. Bruce Koeppel, A-A-R-P's state director, says the bill is bad for consumers and will raise costs. He says if the bill becomes law, some elderly Iowans will be forced to choose between buying prescription drugs or paying their light bill. He says they want an independant study on why the state should deregulate. Koeppel says if the industry is "deregulated," Iowa's rural consumers may not get their power restored as quickly when there's a tornado or ice storm because utilities will cut employees. A-A-R-P has sent two-thousand "legislative alert" newsletters and is making phone calls to its members. A-A-R-P activist Betty Powell says utilities are trying to force deregulation through the legislature. One analyst says southern Iowa customers in what used to be "Iowa Southern Utilities" territory will see their rates go up 40 percent immediately when the bill becomes law. That utility served consumers in the Burlington, Ottumwa, Grinnell, Newton and Creston areas. Governor Tom Vilsack says he and Iowa legislators would be taking a "huge risk" if they do not come to some agreement on a bill which would change the way electric power is sold in Iowa. It's called electric de-regulation by some, electric restructuring by others. Vilsack says if it doesn't happen, Iowa will lose in the race for new businesses. Vilsack says utilities are now required to provide some assurance low-income Iowans can keep the heat on during cold spells, but those programs end in two years. Vilsack had raised concerns that the bill didn't require electric companies to invest in alternative energy sources, like wind energy and bio-mass.